

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington, D. C.

Editorial Reference Series: No. 6

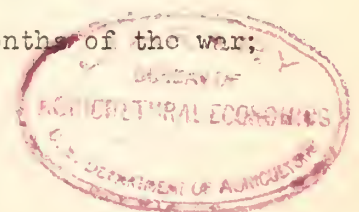
June 21, 1940.

A DECADE OF AGRICULTURAL TRADE -
AND THE PRESENT OUTLOOK

- - -

Recent events in Europe have made the situation as to United States exports of farm products increasingly difficult. Latest available figures show sharp decreases in exports of pork, lard, wheat, fruits, tobacco, and cotton. The belligerents have practically ceased buying our agricultural products, and the neutral countries in Europe have been largely shut off as export outlets. Later in the year, the volume of our exports of some farm products - notably pork, and dairy products such as evaporated and condensed milk - may increase from current low levels; even so, this cannot be counted upon to add materially to farm prices and incomes. Meanwhile, the outlook from practically every angle is unfavorable.

The adverse effects of foreign political and economic controls upon United States exports of agricultural products during the first eight months of the European War as compared with the corresponding period a year earlier are revealed in the following table. Exports of fresh fruits, tobacco, and wheat were sharply curtailed during this period; exports of cotton, hog products, soybeans, dried beans, and canned vegetables were increased. However, practically all of the gains in exports were in the early months of the war; more recently the shipments of all products have declined.



UNITED STATES: Exports and imports of specified agricultural commodities, April, 1939 and 1940, and September-April, 1938-39 and 1939-40 ^{1/}

Commodity	Unit	April		September-April	
		1939	1940	1938-39	1939-40
		Thousands	Thousands	Thousands	Thousands
<u>Exports:</u>					
Pork-					
Cured pork <u>2/</u>	Lb.	6,119	2,353	44,180	40,886
Other pork <u>3/</u>	Lb.	1,931	2,604	24,523	65,500
Total pork	Lb.	8,050	4,957	68,703	106,386
Lard, including neutral lard	Lb.	17,531	18,849	167,761	181,032
Wheat, including flour	Bu.	9,518	3,837	70,064	33,993
Apples, fresh <u>4/</u>	Bu.	634	96	11,162	2,717
Pears, fresh	Lb.	550	250	131,151	64,028
Tobacco, leaf	Lb.	18,677	15,864	363,552	224,290
Cotton, excluding					
linters (500 lb.)	Bale	187	367	2,918	5,780
<u>Imports</u>					
Cattle	No.	126	71	550	418
Beef, canned incl. corned ...	Lb.	8,640	4,488	48,376	53,506
Hides and skins <u>5/</u>	Lb.	25,298	22,601	200,370	218,141
Barley malt	Lb.	11,287	6,754	63,507	45,089
Sugar, cane (2,000 lb.)	Ton	224	293	1,446	2,071
Flaxseed	Bu.	1,416	1,119	13,573	9,623
Tobacco, leaf	Lb.	3,546	5,273	37,091	40,537
Wool, excl. free in bond					
for use in carpets, etc...	Lb.	7,109	12,466	45,224	139,455

^{1/} Corrected to May 24, 1940.

^{2/} Includes hams, shoulders, bacon, and sides

^{3/} Includes fresh, frozen, pickled, salted, and canned.

^{4/} Includes baskets, boxes and barrels, in terms of bushels.

^{5/} Excludes the weight of "other hides and skins" which are reported in pieces only.

Office of Foreign Agricultural Relations. Compiled from official records of the Bureau of Foreign and Domestic Commerce.

U. S. FOREIGN TRADE, 1930-39

With the completion of the 1939 estimates, figures for the decade of the 1930's are available on the international trade of the United States in farm products. This editorial reference report collects the figures in a number of categories. Agricultural exports and imports are compared with total exports and imports, 1930-39, and exports of the more important commodities are compared with total production in the United States. ^{1/} The agricultural import figures are divided into supplementary and complementary products and the relation between agricultural foreign trade and general business conditions is indicated. In the decade just closed, government policies for the direction of trade have been conspicuous in all countries. American trade policy has included the Reciprocal Trade Agreements Program, various export subsidies, and the neutrality legislation. In various countries abroad, programs for self-sufficiency have materially affected foreign trade during the decade; since the outbreak of war, trade controls have become the rule rather than the exception. The opening of hostilities in Europe in 1939 suggests comparison of today's position of American agricultural products with that of 25 years ago in respect to war markets, and in respect to the general long term trend as to destinations and sources of American exports and imports.

The general course of American foreign trade, agricultural exports, and agricultural imports, both total and supplementary, are summarized in terms of dollar value in the following table:

United States: Value of foreign trade and trade
in agricultural products, 1930 to 1939

Year ended:	All commodities		Agricultural imports:			Quantity
December :	Total	Total	Total	Supple-	tural	index of
31 :	imports	exports	:	mentary ^{2/} :	exports	agr. exports
:	Million	Million	Million	Million	Million	:
:	dollars	dollars	dollars	dollars	dollars	:1910-14 - 100
1930	: 3,061	: 3,731	: 1,469	: 701	: 1,201	: 82
1931	: 2,091	: 2,373	: 1,008	: 447	: 821	: 88
1932	: 1,323	: 1,575	: 668	: 296	: 662	: 94
1933	: 1,450	: 1,647	: 732	: 365	: 694	: 85
1934	: 1,636	: 2,100	: 821	: 413	: 733	: 66
1935	: 2,039	: 2,243	: 1,072	: 589	: 747	: 61
1936	: 2,424	: 2,419	: 1,242	: 695	: 709	: 55
1937	: 3,010	: 3,299	: 1,579	: 868	: 797	: 65
1938	: 1,950	: 3,057	: 956	: 477	: 828	: 75
1939 Prel.:	2,276	: 3,123	: 1,118	: 526	: 655	: 65

^{1/} See footnote 2.

^{2/} Supplementary (or competitive) agricultural imports consist of all imports similar to agricultural commodities produced commercially in the United States together with all other agricultural imports interchangeable to any significant extent with such United States commodities. Other agricultural imports, termed complementary are made up chiefly (about 95%) of 8 items: coffee, cocoa, tea, spices, silk, bananas, wool for carpets, and rubber.

Office of Foreign Agricultural Relations. Compiled from official records of the Bureau of Foreign and Domestic Commerce.

Agricultural Exports and Agricultural Production, 1921-38.

The relation of exports to production of the chief American commodities traditionally produced for export is shown by the figures for the years since 1920. The effect of dry weather on production, particularly in 1934 and 1936, is likewise clear from this table.

United States: Percentage net exports are
of production, 1921-1938

Production					Percentage of production ex-					
Cal- :					: ported year beginning July					
endar:	:	:	:	Pork :	:	Cotton:	:	To- :	:	Lard
year :	Cotton :	Wheat :	Tobacco :	excluding: Lard	:	incl. :	Wheat:	bacco:	Pork :	incl
:	:	:	:	lard :	:	lint- :	incl.:	un- :	excl.:	neu-
:	:	:	:	:	:	ers2/ :	flour:	mf'd.:	lard :	tral
:	Thous. :	Thous. :	Thous. :	Thous. :	Thous. :	:	:	:	:	:
:	bales1/ :	bushels :	pounds :	pounds :	pounds :	Pct. :	Pct.:	Pct.:	Pct.:	Pct.:
1921-	:	:	:	:	:	:	:	:	:	:
30 :	:	:	:	:	:	:	:	:	:	:
av. :	13,174 :	826,674 :	1,345,240 :	8,535,100 :	2,332,800 :	55.3 :	21.0 :	33.9 :	5.7 :	34.3 :
1931 :	17,097 :	941,674 :	1,564,487 :	8,734,000 :	2,279,000 :	53.1 :	13.1 :	23.0 :	1.4 :	24.1 :
1932 :	13,003 :	756,927 :	1,017,317 :	8,915,000 :	2,351,000 :	67.4 :	4.3 :	33.6 :	1.3 :	24.1 :
1933 :	13,047 :	551,683 :	1,371,131 :	9,124,000 :	2,446,000 :	59.9 :	4.6 :	30.4 :	1.7 :	22.5 :
1934 :	9,636 :	526,393 :	1,081,629 :	8,385,000 :	2,066,000 :	51.1 :	3/ :	29.3 :	1.5 :	11.0 :
1935 :	10,638 :	626,344 :	1,297,155 :	5,954,000 :	1,267,000 :	57.4 :	3/ :	28.1 :	.7 :	7.1 :
1936 :	12,399 :	626,766 :	1,155,328 :	7,535,000 :	1,673,000 :	43.7 :	3/ :	30.1 :	4/ :	6.2 :
1937 :	18,946 :	875,676 :	1,562,886 :	6,937,000 :	1,441,000 :	30.7 :	11.8 :	25.1 :	.2 :	13.2 :
1938 :	11,943 :	930,801 :	1,378,534 :	7,564,000 :	1,754,000 :	28.1 :	11.4 :	28.8 :	.8 :	13.7 :
:	:	:	:	:	:	:	:	:	:	:

1/ Bales of 500 lb. 2/ Crop years beginning August. 3/ Net import. 4/ Less than 0.05%. Bureau of Agricultural Economics. Compiled from - production, U. S. Department of Agriculture; net exports, Monthly Summary of Foreign Commerce of the U. S. and official records of the Bureau of Foreign and Domestic Commerce.

Foreign Trade in Farm Products and Domestic Business Activity

The close relationship between international commodity movements and demand measured in terms of the general course of business activity can be seen by comparing the index of agricultural imports with the index of industrial activity for the same years. Imports are down when business is down and a corresponding recovery in imports takes place as business improves.

Between 1929 and 1932 supplementary imports declined by more than 70 percent as the industrial production for which they provided raw materials experienced a similar decline. Similarly, from 1933-37 supplementary imports more than doubled as industry recovered to within 2 percent of its 1929 level. With the recession of 1938 - and the simultaneous recovery of domestic agriculture from the effects of the drought - these imports fell more than a third in a single year.

United States: Index numbers of industrial production
and the value of agricultural exports
and imports, 1925-39. (1923-25==100)

Year	: Industrial : production 1/	: Value of : agricultural : exports	: Value of : agricultural : imports	: Value of supple- : mentary agricultural : imports
1925	: 104	: 106	: 112	: 97
1926	: 108	: 90	: 115	: 95
1927	: 106	: 93	: 106	: 97
1928	: 111	: 92	: 100	: 93
1929	: 119	: 84	: 106	: 99
1930	: 96	: 59	: 70	: 68
1931	: 81	: 41	: 48	: 44
1932	: 64	: 33	: 32	: 29
1933	: 76	: 34	: 35	: 36
1934	: 79	: 36	: 39	: 40
1935	: 90	: 37	: 51	: 57
1936	: 105	: 35	: 59	: 68
1937	: 110	: 39	: 75	: 85
1938	: 86	: 41	: 46	: 46
1939	: 105	: 32	: 53	: 51

1/ Adjusted for seasonal variation.

Bureau of Agricultural Economics. Compiled from official records of the Federal Reserve Board and the Bureau of Foreign and Domestic Commerce.

Exports and Imports of the Chief U. S. Farm Products

The figures for imports and exports of the chief farm products raised in the United States, are given below. The effects of the 1934 and 1936 droughts should be considered in using these figures. For instance, for the duration of the droughts, shortages of hog products and of grain in the United States both induced unusual imports and prevented American farmers from taking advantage of newly opened markets abroad.

United States: Exports of Specified
Farm Products, 1923-39

Year ended Dec. 31	Cotton		Wheat	
	Raw, excl. linters 1/	Linters	Grain	Flour 2/
	1,000 bales 1/	1,000 bales 1/	1,000 bushels	1,000 barrels
1923	5,428	56	98,533	16,310
1924	6,819	141	166,302	15,990
1925	8,593	170	86,526	11,119
1926	9,241	132	138,275	11,850
1927	9,480	279	158,307	12,823
1928	8,944	186	96,290	11,852
1929	7,770	163	90,130	13,663
1930	6,844	117	87,774	13,060
1931	7,206	105	80,311	9,654
1932	9,429	140	54,879	5,795
1933	8,823	179	7,983	3,963
1934	6,058	189	16,970	4,163
1935	6,169	232	233	3,297
1936	5,652	233	1,879	3,660
1937	6,070	296	34,848	4,453
1938	4,577	245	86,902	5,214
1939 Prel.	4,809	248	62,214	7,757

1/ 500 lb. bales. 2/ Includes flour ground from imported wheat. 3/ Flour ground wholly of U. S. wheat was in 1935, 938,000 barrels; in 1936, 978,000 barrels; in 1937, 2,270,000 barrels; in 1938, 3,703,000 barrels; and in 1939, 5,693,000 barrels.

United States: Exports of Specified
Farm Products, 1923-39, Continued-

Year ended Dec. 31	Pork				
	Fresh or frozen	Bacon	Hams and shoulders 4/	Canned	Pickled or salted
	<u>pounds</u>	<u>pounds</u>	<u>pounds</u>	<u>pounds</u>	<u>pounds</u>
1923	54,691	456,797	372,093	2,801	41,841
1924	32,803	286,628	351,352	3,274	28,280
1925	19,821	176,829	290,629	4,702	27,453
1926	15,564	147,505	204,086	6,462	29,047
1927	8,235	105,649	132,071	7,274	29,271
1928	11,413	117,687	130,592	8,153	33,402
1929	13,539	138,423	136,694	10,240	44,787
1930	17,573	90,687	126,266	12,197	30,628
1931	9,547	36,692	86,602	11,246	15,789
1932	8,133	18,173	66,002	8,713	15,259
1933	14,410	20,397	79,772	10,847	16,608
1934	36,757	18,182	65,543	11,675	18,385
1935	10,208	5,868	55,823	8,505	8,276
1936	2,747	4,095	42,630	7,937	10,520
1937	4,238	2,953	39,905	7,127	9,009
1938	9,255	9,662	53,897	8,737	14,082
1939 Prel.	31,246	10,590	63,649	9,086	14,972

Year ended Dec. 31					Fresh Apples 6/
	Lard	Neutral lard	Pears		
	<u>pounds</u>	<u>pounds</u>	<u>pounds</u>		<u>bushels</u>
1923	1,035,382	24,129	51,186	8,876	
1924	944,095	27,365	41,516	12,361	
1925	688,829	18,854	71,702	10,043	
1926	698,961	18,116	68,741	16,170	
1927	681,303	20,397	54,695	15,534	
1928	759,722	23,750	72,635	13,635	
1929	829,328	18,539	70,183	16,856	
1930	642,486	13,531	121,211	15,850	
1931	568,703	9,588	103,416	17,785	
1932	546,202	5,951	112,607	16,919	
1933	579,132	5,107	105,210	11,029	
1934	431,237	3,654	107,145	10,070	
1935	96,355	1,005	122,765	11,706	
1936	111,292	877	133,651	8,897	
1937	135,950	828	130,450	7,901	
1938	204,603	5/	177,134	11,761	
1939 Prel.	277,272	5/	97,193	8,379	

4/ Includes Cumberland and Wiltshire sides. 5/ Included in "lard" beginning Jan. 1, 1938. 6/ Converted on the basis of 3 bushels to a barrel and 1 bushel to a box.

United States: Exports of Specified
Farm Products, 1923-39, Continued-

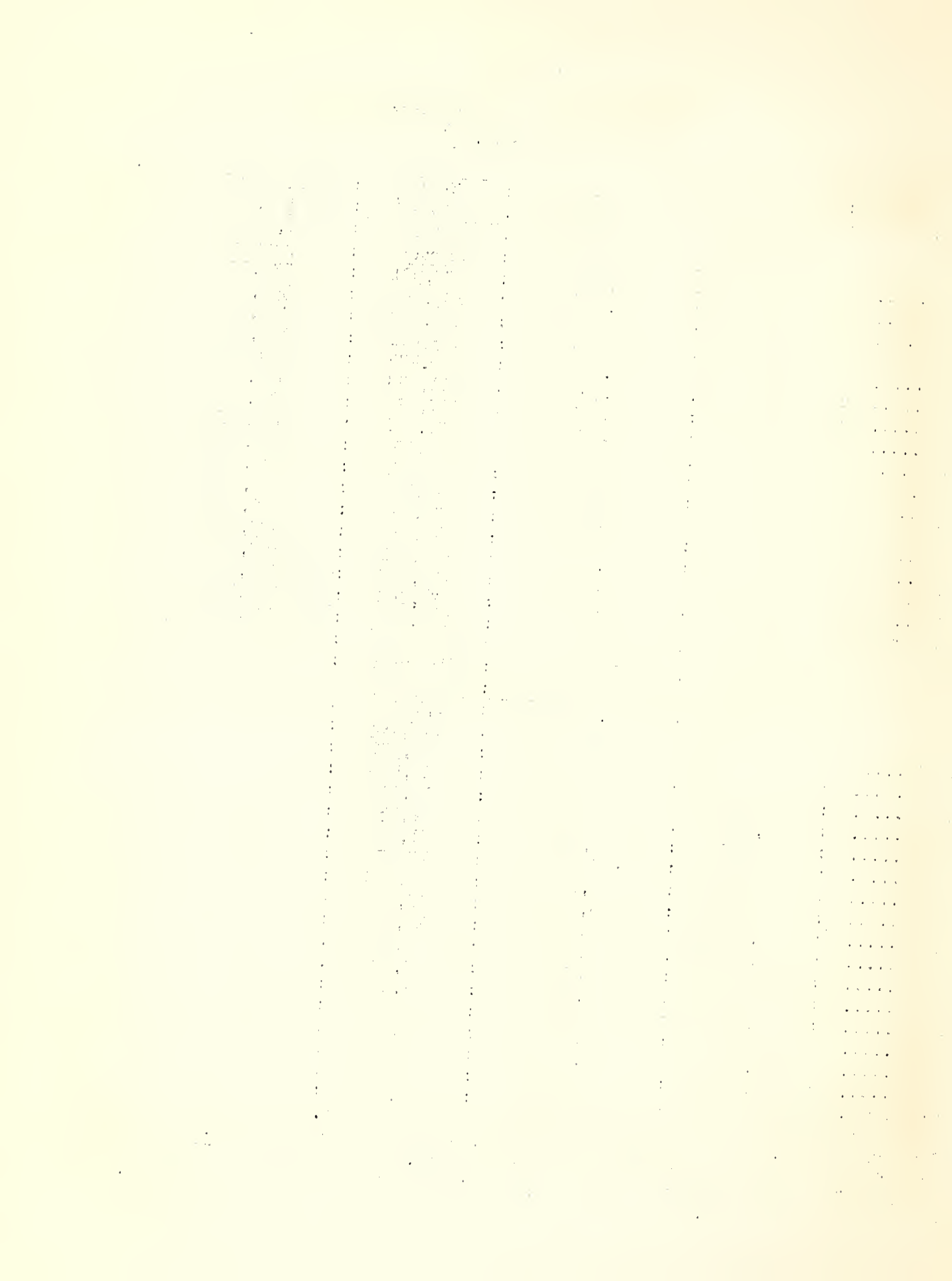
- Tobacco leaf -							
Year ended:	Bright	Burley	Dark fired	Dark	Md. & Ohio	Green	
Dec. 31	flue-cured		Ky. & Tenn.	Virginia	export	River	
	<u>pounds</u>	<u>pounds</u>	<u>pounds</u>	<u>pounds</u>	<u>pounds</u>	<u>pounds</u>	<u>pounds</u>
1923	179,982	6,001	150,880	48,361	18,062	14,058	
1924	265,515	7,398	170,228	31,071	12,831	7/ 6,085	
1925	278,279	6,017	116,974	20,343	13,913	7/ 17,971	
1926	287,334	6,729	119,847	18,390	13,592	7/ 14,076	
1927	302,425	17,844	112,008	24,277	20,036	12,829	
1928	434,898	6,544	84,014	18,695	10,947	8,368	
1929	410,837	5,336	79,777	24,122	11,577	10,362	
1930	397,695	9,624	105,440	15,379	9,721	7,919	
1931	388,252	8,919	67,971	11,430	7,549	5,347	
1932	255,311	12,342	79,393	14,370	10,169	4,389	
1933	297,941	10,611	76,574	11,936	9,186	2,542	
1934	305,984	16,384	65,421	11,431	7,103	2,244	
1935	289,609	8,844	52,574	9,456	4,690	3,601	
1936	315,943	10,469	49,473	9,333	6,100	3,577	
1937	327,696	10,419	52,663	9,638	5,321	2,061	
1938	385,219	11,749	48,374	8,545	4,509	3,592	
1939 Prel.	245,977	11,683	41,710	8,272	6,332	2,263	
Tobacco leaf						Stems, trim-	Total
	One	Black fat,			mings and	leaf	
	Sucker	water baler,	Cigar leaf	Perique	Other	scrap	tobacco
	leaf	etc.			leaf		
	<u>pounds</u>	<u>pounds</u>	<u>pounds</u>	<u>pounds</u>	<u>pounds</u>	<u>pounds</u>	<u>pounds</u>
1923	8/	8/	339	8/	56,768	22,846	474,501
1924	9/	8/	1,464	8/	41,964	28,843	536,556
1925	6/	8/	883	8/	14,092	9,017	468,472
1926	9/	8/	619	8/	18,185	8,285	478,772
1927	6,370	619	531	8/	9,313	5,617	506,252
1928	3,227	1,500	662	8/	6,556	8,434	575,411
1929	3,213	5,655	4,409	8/	60	10,555	555,348
1930	2,789	8,074	4,153	164	0	18,746	560,958
1931	1,477	8,673	3,794	133	0	20,925	503,545
1932	997	9,977	696	122	0	23,393	387,766
1933	1,116	8,578	1,894	40	0	18,518	420,418
1934	1,062	7,802	1,483	69	0	21,883	418,983
1935	1,154	10,432	752	70	0	15,148	381,182
1936	818	10,296	649	151	0	18,459	406,809
1937	219	8,693	920	128	0	17,037	417,758
1938	494	7,699	2,529	143	0	16,239	472,853
1939 Prel.	2,094	7,212	1,507	166	0	31,273	327,216

7/ Includes "One-sucker leaf". 8/ Included in "Other leaf". 9/ Included in "Green River (Pryor)". Bureau of Agricultural Economics. Compiled from Foreign Commerce and Navigation of the United States and Monthly Summary of the Foreign Commerce of the United States.

United States: Imports of Specified
Farm Products, 1923-39. 1/

Year ended Dec. 31	Cattle, live	Beef, canned 2/ 3/	Wool 2/ 4/	Hides and skins, raw
	1,000 head	1,000 pounds	1,000 pounds	1,000 pounds
1923	140	4,496	277,901	531,576
1924	145	7,026	137,467	356,552
1925	175	7,969	174,968	362,432
1926	221	21,045	193,012	368,578
1927	445	35,999	140,475	447,143
1928	536	52,738	101,633	506,008
1929	505	79,899	117,878	515,659
1930	234	56,105	88,062	399,911
1931	95	19,586	42,005	271,083
1932	106	24,639	16,178	190,240
1933	82	41,344	41,459	339,978
1934	66	46,674	34,048	200,781
1935	378	76,263	48,634	303,476
1936	410	87,804	122,951	307,827
1937	507	88,097	159,560	308,749
1938	434	78,597	34,253	179,315
1939 Prel.	764	85,863	102,564	321,009
	Malt	Sugar, raw 6/	Flaxseed	
	1,000 pounds	1,000 sh. tons	1,000 bushels	
1923	397	3,855	24,332	
1924	765	4,138	16,589	
1925	836	4,460	16,510	
1926	1,028	4,710	22,550	
1927	810	4,216	21,821	
1928	865	3,869	17,579	
1929	1,025	4,888	24,243	
1930	4,309	3,495	12,662	
1931	39,875	3,176	14,480	
1932	52,533	2,971	7,919	
1933	109,183	2,874	13,825	
1934	193,728	2,997	14,170	
1935	320,623	2,955	17,560	
1936	301,767	2,969	15,365	
1937	371,243	3,198	28,032	
1938	100,576	2,975	15,364	
1939 Prel.	101,130	2,903	16,028	

1/ General imports prior to 1934 except as otherwise noted. Subsequent imports for consumption. 2/ Imports for consumption. 3/ Includes corned beef. 4/ Excludes wool free in bond for manufacture in carpets, etc. 5/ Excludes item "Other hides and skins" which is reported in pieces, only; also excludes non-agricultural. 6/ Includes beet sugar.



United States: Imports of Specified
Farm Products, 1923-39, Continued-

Year ended:	Tobacco leaf			Cigarette	Other
Dec. 31. :	Cigar	Cigar filler			tobacco,
:	wrapper	Unstemmed	Stemmed		unmfd 7/
:	1,000	1,000	1,000	1,000	1,000
:	pounds	pounds	pounds	pounds	pounds
1923 :	7,708	13,915	11,538	20,222	4,286
1924 :	5,894	11,216	11,415	36,965	3,099
1925 :	6,435	8,571	12,725	47,025	2,935
1926 :	6,551	8,012	14,659	36,159	2,524
1927 :	5,784	8,148	15,395	69,820	3,607
1928 :	6,631	7,235	14,647	40,335	5,949
1929 :	8,563	6,706	15,551	31,004	6,242
1930 :	3,858	5,487	14,228	39,872	8,098
1931 :	4,745	4,976	11,260	43,502	9,969
1932 :	2,056	3,670	6,973	35,852	8,355
1933 :	2,071	4,545	6,169	38,066	6,402
1934 :	2,148	4,419	6,755	38,364	6,099
1935 :	1,947	4,734	8,651	39,545	8,419
1936 :	2,999	4,596	6,512	46,503	6,908
1937 :	1,660	4,208	6,940	47,985	10,909
1938 :	1,706	2,710	6,917	49,508	10,564
1939 Prel.: :	2,180	2,187	8,229	49,627	20,233

7/ Includes product of the Philippine Islands, scrap and stems, not cut, etc.
Bureau of Agricultural Economics. Compiled from Foreign Commerce and Navigation
of the United States and Monthly Summary of the Foreign Commerce of the U. S.

The Reciprocal Trade Agreements Program

The Reciprocal Trade Agreements Act, passed in 1934 and renewed in 1937 and 1940, represents the major effort of the United States Government during the past decade in stimulating the flow of world trade. The Act authorized the executive to negotiate agreements with other nations looking toward and increased interchange of goods. At the same time it safeguarded the interests of American producers by providing that modifications in existing American tariff schedules be limited to a maximum reduction of 50 percent of existing tariff rates, and that interested parties should have opportunity to present their case in respect to the commodities under consideration, prior to the conclusion of an agreement.

Between 1934 and 1940, 21 trade agreements were concluded, with Belgium, Brazil, Canada, Colombia, Costa Rica, Cuba, Czechoslovakia, Ecuador, El Salvador, Finland, France, Guatemala, Haiti, Honduras, Nicaragua, Netherlands and Colonies, Sweden, Switzerland, Turkey, United Kingdom and Colonies, and Venezuela. By means of reduction of foreign duties, expansion of quotas, relaxation of controls, and guarantees that commodities will remain on the free list, the agreements obtained concessions on some 47.3 percent of United States farm exports and 24.9 percent of this country's nonagricultural exports.

Reductions in U. S. rates of duty on agricultural products were made with care as to their effect upon domestic supplies. In numerous instances the new rates were applied to a certain quota of imports only; the entry of some products was likewise regulated by seasons or quarters; and total imports to be admitted were considered in relation to domestic production. As a result, these imports have increased substantially only in cases where U. S. prices have also increased.

A considerable part of the recovery in the value of United States exports from 1.6 billion dollars in 1933 to 3.1 billion dollars in 1939, and in the value of United States imports from 1.5 billion dollars in 1933 to 2.3 billions in 1939, was related to these trade agreements. The course of this improvement, with farm products shown separately, is indicated by the following comparison of U.S. trade with agreement countries and nonagreement countries during the past 5 years.

Foreign trade with trade-agreement countries 1/
and with other countries, 1935-1939

Designation	1935	1936	1937	1938	1939
	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars
<u>EXPORTS (domestic)</u>					
<u>All commodities:</u>					
To 18 agreement countries.....	1,237	1,363	1,845	1,731	1,862
To nonagreement countries.....	1,006	1,056	1,454	1,326	1,262
<u>Farm products:</u>					
To 18 agreement countries.....	444	450	520	568	441
To United Kingdom and colonies..	270	256	274	303	210
To 17 other agreement countries..	174	194	246	265	231
To nonagreement countries	303	259	277	260	215
<u>Farm products other than cotton:</u>					
To 18 agreement countries.....	286	277	333	468	312
To United Kingdom and colonies..	193	176	182	261	151
To 17 other agreement countries..	93	101	151	207	161
To nonagreement countries.....	70	71	96	131	100
<u>IMPORTS (for consumption)</u>					
<u>All commodities:</u>					
From 18 agreement countries.....	1,191	1,470	1,747	1,146	1,374
From nonagreement countries.....	848	954	1,263	804	902
<u>Agricultural commodities:</u>					
From 18 agreement countries.....	600	705	849	528	614
From Canada and Cuba.....	170	225	214	120	141
From the other 16 countries.....	430	480	635	408	473
From nonagreement countries.....	472	537	730	428	504

1/ Belgium, Brazil, Canada, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Finland, France, (including colonies, dependencies, and protectorates other than Morocco), Guatemala, Honduras, Haiti, the Netherlands, Nicaragua, Sweden, Switzerland, and the United Kingdom (with Newfoundland the non-self-governing British Colonies). 2/ Preliminary.

Office of Foreign Agricultural Relations.

In reading the figures of the table above certain facts should be borne in mind. The year 1935 is not a pre-agreement year in the case of Cuba; comparison of 1933, the year before the Cuban agreement was signed, with 1935, shows a rise of 93 percent in farm imports from Cuba as compared with an increase of 43 percent from other countries. Canadian imports into the United States during 1935-37 were abnormally high due to the drought; this explains the decline beginning in 1938. The agreement with the United Kingdom went into effect only on January 1, 1939; the year's figures reflect the uncertainties immediately preceding the declaration of war and the restrictions on the shipment of goods which rapidly followed it.

In addition to the new foreign markets for U.S. farm products obtained through the trade agreements, foreign orders for nonagricultural goods made in the U. S. A. have expanded domestic demand for farm products by increasing the purchasing power of American city workers. Studies made in connection with the Food Stamp Plan indicate that families on relief spend about 5¢ per person per meal for food, whereas families of workers employed at good wages -- and the export industries pay wages above average -- spend about 12½ cents. A report made at the Iowa Agricultural Experiment Station for the American Farm Bureau Federation estimates that:

"Some benefits for American agriculture are also to be found in the increased foreign sales of industry.

For example, the total output of farm machinery rose in value about \$273,000,000 from 1935 to 1937. About 16 percent of this resulted from increased exports. Purchases of foodstuffs increased perhaps \$1,500,000 as a result of the rise in payrolls due to larger exports. For automobiles and motor vehicles, foodstuff expenditures probably rose around \$2,800,000 as a result of larger export business. For primary iron and steel products the gain was perhaps \$5,000,000.

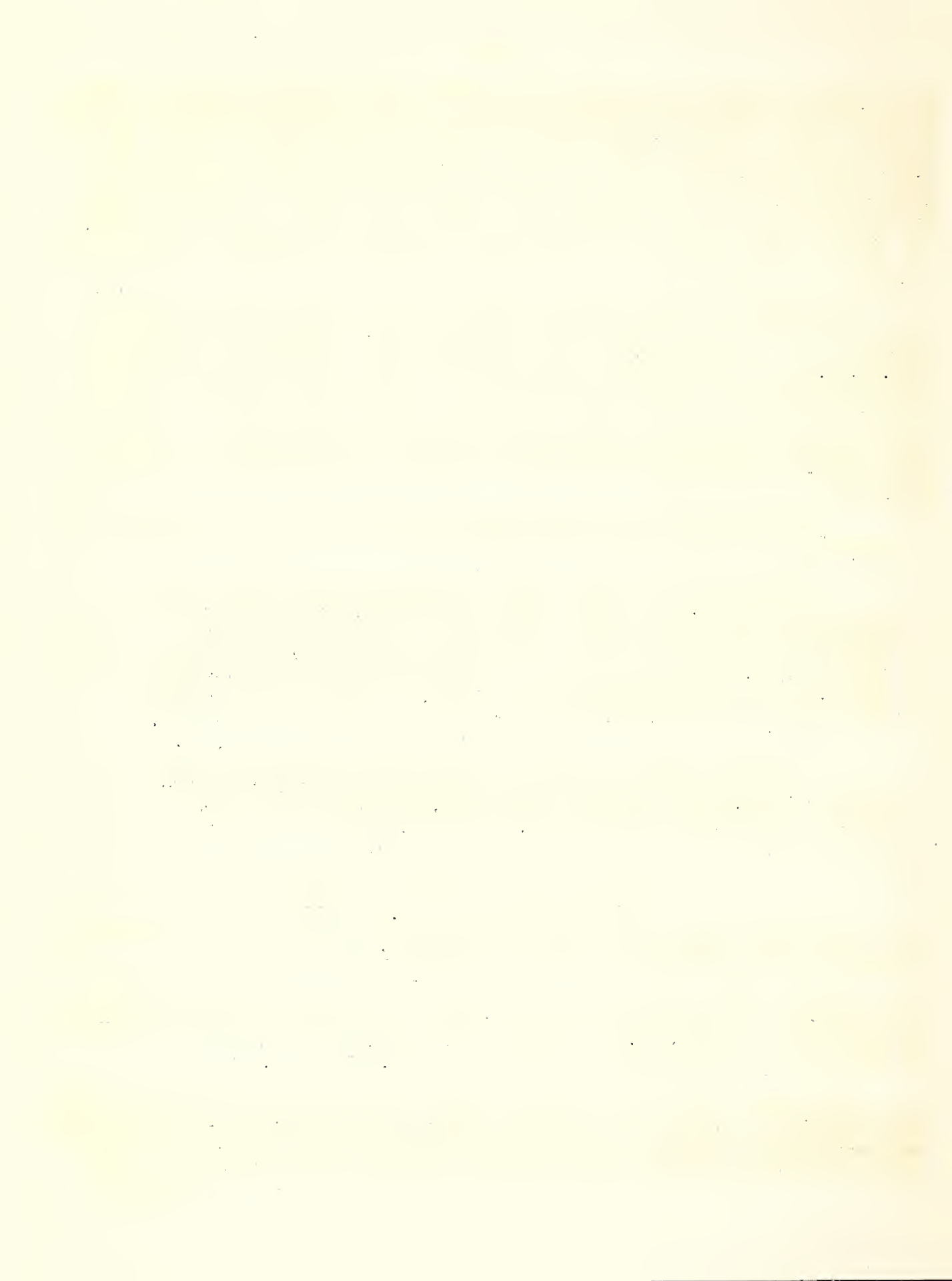
The list could be extended by including electrical and industrial machinery, petroleum and its products, advanced manufactures of iron and steel, automobile parts, chemicals, copper and copper manufactures, cotton manufactures and many others."

American Export Subsidies, 1930-39

At various times in the course of the decade American exports of wheat and cotton have been stimulated by government subsidy.

Wheat. Small quantities of wheat from the Pacific Northwest were subsidized under the initial A.A.A. program in 1933. Total exports under this program, in effect for the years 1933-35 amounted to about 28,400,000 bu. with a cost to the government of \$6,500,000.

In August 1936, further exports of wheat from the Pacific Northwest to the Philippines were arranged, and in August 1938 a national program for wheat exports was inaugurated. This wheat export program was undertaken to maintain a normal share of the world market without adversely affecting the domestic price level



and in order to cut down the domestic carryover. During the years 1920-29 U.S. wheat accounted for some 25% of world exports. It was estimated that an export of approximately 100,000,000 bu. of wheat and flour in 1938-39 would give the U.S. a share of the world market amounting to about 18 percent; a program of this size was consequently inaugurated under the Federal Surplus Commodities Corporation, on funds authorized by Section 32 of the Agricultural Adjustment Act as amended in 1935.

About 93,754,000 bu. out of the total 118,054,000 bu. of wheat and flour sold during the fiscal year 1938-39 for export, were moved with assistance from the program at a cost of about \$25,700,000. The program was renewed for the year 1939-40; up to April 10, 1940, 30,736,371 bu. of wheat and flour had been sold for export under its provisions; after January 1, 1940, export movement under the subsidy program was restricted to limited destinations from Pacific coast ports.

Cotton. An export program for lint cotton and cotton goods was inaugurated in August 1939 to retain a fair share of the world market for American cotton in the absence of an effective international cotton agreement. Sales and deliveries under this program to January 30, 1940, totalled about 6,214,000 bales, including cotton goods to the equivalent of 333,000 bales. At the end of January, payments except on cotton goods were discontinued.

In addition to the exports subsidized by the cotton program, a barter arrangement between the United States and Great Britain became effective on October 1, 1939, under which approximately 600,000 bales of government loan cotton were exchanged for approximately 85,000 tons of rubber. Both countries agreed to use the goods received as stocks, holding them off the market for a 5-year period, barring a national emergency due to war.

Neutrality Legislation

The effect of the cash and carry formula of current American neutrality legislation on American exports is already being felt. The cash requirement is causing belligerents to limit their American purchases to the quantities of foreign exchange which it is currently thought desirable to release, and to the types of goods that are unavailable from other sources and immediately needed for the prosecution of the war. The withdrawal of some 607,000 tons of shipping from our regular foreign services and the abandonment of certain foreign trade routes was discussed in No. 2 of this Editorial Reference Series. It has contributed somewhat to the rise in both scheduled liner rates and war risk insurance on shipments to combat areas which has affected the cost of imports to Allied consumers.

Belligerent Controls

With the opening of hostilities in Europe, far-reaching measures of government control were applied to foreign commerce by the Allies, and repercussions of the war caused shifts in the trade of the neutrals. These controls, together with the cash and carry feature of American neutrality legislation, have considerably affected the prospects of U. S. commodities abroad.

In a war in which economic pressures have the importance they have attained in the current conflict, a number of considerations necessarily influence decisions about government purchases and government policies toward private purchases; considerations regarding price; regarding terms, from spot cash to long-term credits; regarding the availability of foreign exchange and of transport facilities; regarding the probability of certain goods falling to the enemy if left unpurchased; regarding the possible effect of economic inducements on the political attitude of war-zone neutrals. At the same time, certain domestic needs must be supplied.

Allied Controls

France: From the standpoint of economic self-sufficiency, France's position in the present war is notably better than after the occupation of her northern territories in 1914; her main food import requirements are rice, coffee, fats and oils, fruits and vegetables, and secondary cereals. Among agricultural raw materials, France imports all the cotton and rubber she consumed, and a substantial portion of the wool and timber.

Immediately upon the outbreak of the war, French export and import controls were established by decree. Export and import permits must be obtained from the Ministry of Commerce, active in collaboration with various other Ministries. On October 27, 1939 a Committee for the Importation of Agricultural Products was formed in the Ministry of Agriculture, to advise on requests for imports submitted to it, and to suggest means of granting authorizations when demand exceeds quotas. In order to facilitate the accumulation in France of stocks of various products, a number of duties and other restrictions have been removed. A special Organization for the Wartime Importation and Distribution of Cotton has been formed.

Great Britain: Unlike France, Great Britain is dependent on imports for about 65 percent of her foodstuffs; in the case of wheat and sugar, three-quarters of her requirements must come from overseas. Purchases of food from abroad are among the chief functions of the British Ministry of Food, established last September. Regulation of foreign trade in other commodities is carried on by the Board of Trade under provisions of the Import, Export and Customs Powers (Defense) Act, 1939.

In addition to the control measures taken in each country, the United Kingdom and France have also arranged for close economic collaboration between the British and French Empires. Two months after the outbreak of the war, the third meeting of the Allied Supreme War Council in London November 17 agreed that:

"The new measures adopted by the two Governments will provide for the best use in the common interest of the resources of both countries in raw materials, means of production, tonnage, etc. They will also provide for the equal distribution between them of any limitations, should circumstances render necessary a reduction of the programmes of imports.

The two countries will in future draw up their import programmes jointly and will avoid competition in purchases which they have to make abroad in carrying out those programmes."

The first week in December, a financial arrangement was concluded concerning payments for the goods and services supplied to each other by the two Empires. Under a clearing agreement, sums due will be offset against each other, without gold transfers:

"Both countries will for the duration of the War be in a position to cover the whole of their requirements in the currency of the other country by payment in their own currency without any question of their having to find gold."

Both the economic and the financial agreement are to be in effect for 6 months after the peace.

The combined effect of these controls and the requirements of the neutrality legislation has been to alter the direction of trade in a number of commodities in which the United States is interested either as an exporter or an importer.

Allied export, import, and tax restrictions on tobacco announced immediately on the declaration of war, were supplemented on September 11 by a United Kingdom prohibition of the use of foreign exchange to purchase U. S. tobacco. Only about 1/3 of the British requirements from the 1939 crop had been purchased when the order went into effect; with about 175 million pounds still remaining to be sold, the auctions were forced to close. Since then, the Commodity Credit Corporation has made loans to British buyers who continue to pack, grade, and hold the rest of their requirements with an option to purchase any time prior to July 1, 1941.

On October 14, 1939 the United Kingdom made an arrangement with Australia and New Zealand to purchase the total exportable surplus of wool from these countries for the duration of the war and one clip thereafter.

An agreement between the United Kingdom and the Canadian government was signed in December whereby Canada agrees to ship 4,480,000 lbs. of bacon weekly until October 31, 1940.

Fresh fruits were among the commodities whose importation was made subject to license at the beginning of the war in the United Kingdom and France. On September 28 the Board of Trade announced that imports of grapes from the U.S. would be restricted to 25 percent of last year's imports in sterling value. On November 15 the Board announced that no future applications to import apples and pears from non-Empire countries would be considered. Imports of dried fruits and nuts were made subject to license in September; all stocks and future shipments received were required to be placed at the disposal of the ministry of food; and maximum wholesale prices were fixed.

On September 3, the United Kingdom took action to control all grains and grain products and establish a national granary system under price control. The supply position in wheat at the opening of the current war is in marked contrast to that of 1914, when the U.S. was the principal supplier of the world market. The 1939 export surplus in Canada and Australia is enough to supply the United Kingdom market for 3 years, and South American supplies are also available, so long as the sea lanes remain open, at prices below U. S. prices.

Russo-German Trade

Because of the degree of centralized government control previously existing in Germany and Russia, the outbreak of war has made little difference in the methods by which the foreign trade of those countries is handled. The German effort toward self-sufficiency, combined with a shortage of dollar exchange, had drastically reduced shipments of American agricultural products long before the opening hostilities, as shown by the following table:

United States: Exports of agricultural products to Germany 1/,
calendar years 1929, 1932 and 1936 to 1938,
and September-March, 1938-39 and 1939-40.

Commodity	Unit	Year ended December 31				September-March		
		1929	1932	1936	1937	1938	1938-39	1939-40
		1,000	1,000	1,000	1,000	1,000	1,000	1,000
All Agricultural products	Dollars:	249,148	99,152	55,457	61,928	36,365	17,949	53
Cotton, excluding linters <u>2/</u>	Bale	1,739	1,847	723	854	343	248	1
Lard, including neutral	Lb.	219,206	158,793	6,872	2,370	1,523	1,879	0
Sausage casings	Lb.	15,391	12,937	6,594	5,684	4,139	1,469	0
Apples, fresh <u>3/</u>	Bu.	2,234	3,186	695	537	808	361	0
Pears, fresh		1,312	3,953	1,549	2,581	3,135	2,543	0
Prunes, dried	Lb.	65,379	48,885	15,284	16,589	15,237	9,945	8
Raisins	Lb.	14,071	15,440	370	2,666	1,360	1,210	21
Tobacco, bright flue-cured	Lb.	6,558	7,935	3,156	4,137	3,463	3,326	0
Tobacco, dark-fired- Ky. and Tenn.	Lb.	10,916	7,289	2,008	2,605	2,100	1,102	36

1/ Trade with Austria beginning May 6, 1938, and that with the Sudeten areas, as far as ascertainable, beginning November 10, 1938, is included with Germany, while trade with the other Czechoslovak Provinces occupied by Germany, Hungary and Poland has been included with these countries since March 18 or 19, 1939. Trade with the Lithuanian territory of Memel has been included with Germany since March 25, 1939.

2/ Bales of 500 pounds each.

3/ Includes baskets, boxes, and barrels in terms of bushels. Office of Foreign Agricultural Relations. Compiled from Foreign Commerce and Navigation and official records of the Bureau of Foreign and Domestic Commerce.

TABLE I

Summary of the results of the experiments on the effect of the concentration of the solution on the rate of the reaction. The rate was measured by the volume of gas evolved in a given time.

The results show that the rate of the reaction increases with the concentration of the solution, and that the increase is proportional to the square of the concentration.

Concentration of solution (M)	Rate of reaction (volume of gas evolved in 10 minutes)
0.1	1.0
0.2	4.0
0.3	9.0
0.4	16.0
0.5	25.0
0.6	36.0
0.7	49.0
0.8	64.0
0.9	81.0
1.0	100.0

It is seen from the above table that the rate of the reaction is proportional to the square of the concentration of the solution. This is in agreement with the theoretical prediction that the reaction is of the second order.

The results of the experiments on the effect of the temperature on the rate of the reaction are given in Table II. The rate was measured by the volume of gas evolved in a given time.

American trade with Russia, on the other hand, has increased in the course of recent months.

United States: Exports of agricultural products to Russia.

Commodity	Unit	September-March		
		1937-38	1938-39	1939-40
		Thousands	Thousands	Thousands
All agricultural products	Dollars	34	670	2,271
Wheat	Bushels	0	1,495	3,370

Office of Foreign Agricultural Relations. Compiled from Foreign Commerce and Navigation and official records of the Bureau of Foreign and Domestic Commerce.

Restrictions in Neutral Markets

Repercussions of the war on the European neutrals have affected American exports of such commodities as lard, bacon, tobacco and fruit.

Non-European Markets

Restrictions of European markets during the last months has turned attention to possible sales in other areas. Examination of the distribution of American foreign trade over the last 45 years by major geographic groups shows a continual trend away from Europe as our major market and source of supply, and emphasizes the growing importance of Asia and Oceania. In 1895 Europe took about 78 percent of our commodity exports; in the 1920's she took about 50 percent; in 1939 she took 41 percent. In 1895 Asia and Oceania took about 4 percent of our exports, in 1939 about 20 percent.

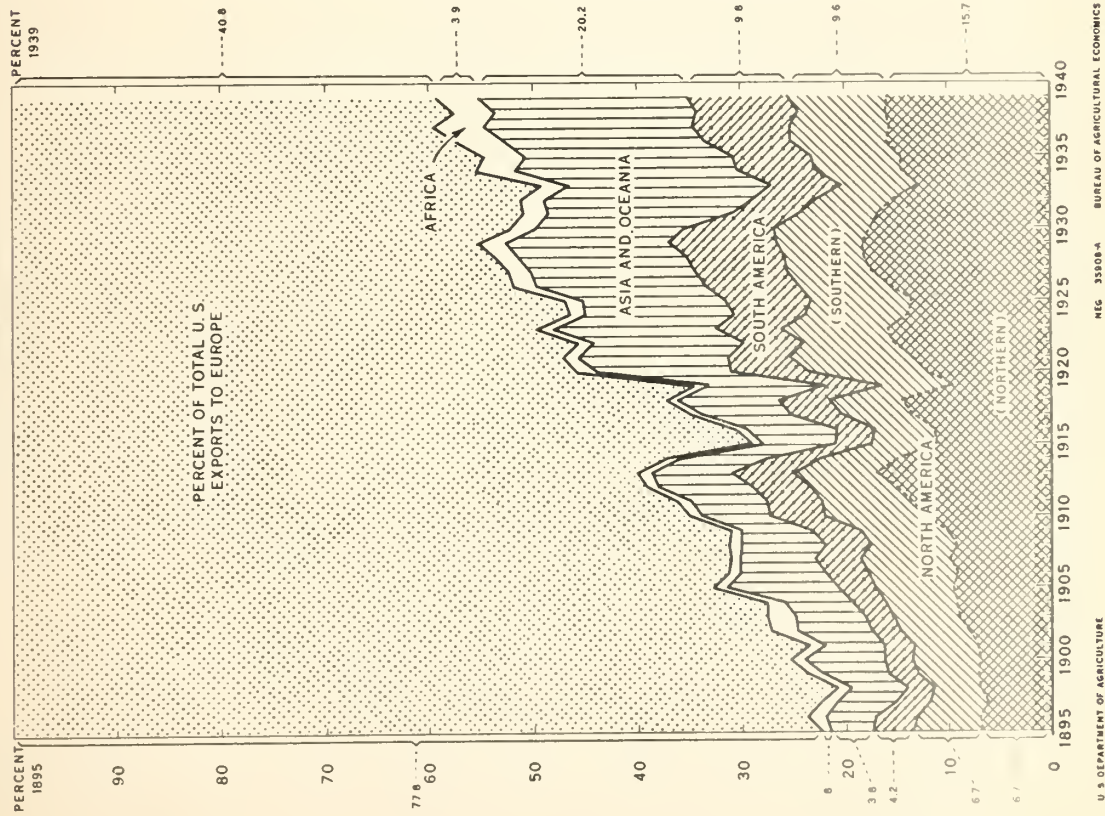
The decline in European purchases, however, ran roughly parallel to the decline in the proportion of agricultural exports to total exports. In 1895, farm commodities made up 75-80 percent of our exports; in 1939, about 25 percent. This suggests that the relative increase in our exports to non-European areas has not been shared by agricultural products.

On the import side of the balance, Europe in 1895 supplied 52 percent of American imports; in 1939, she supplied 28 percent.

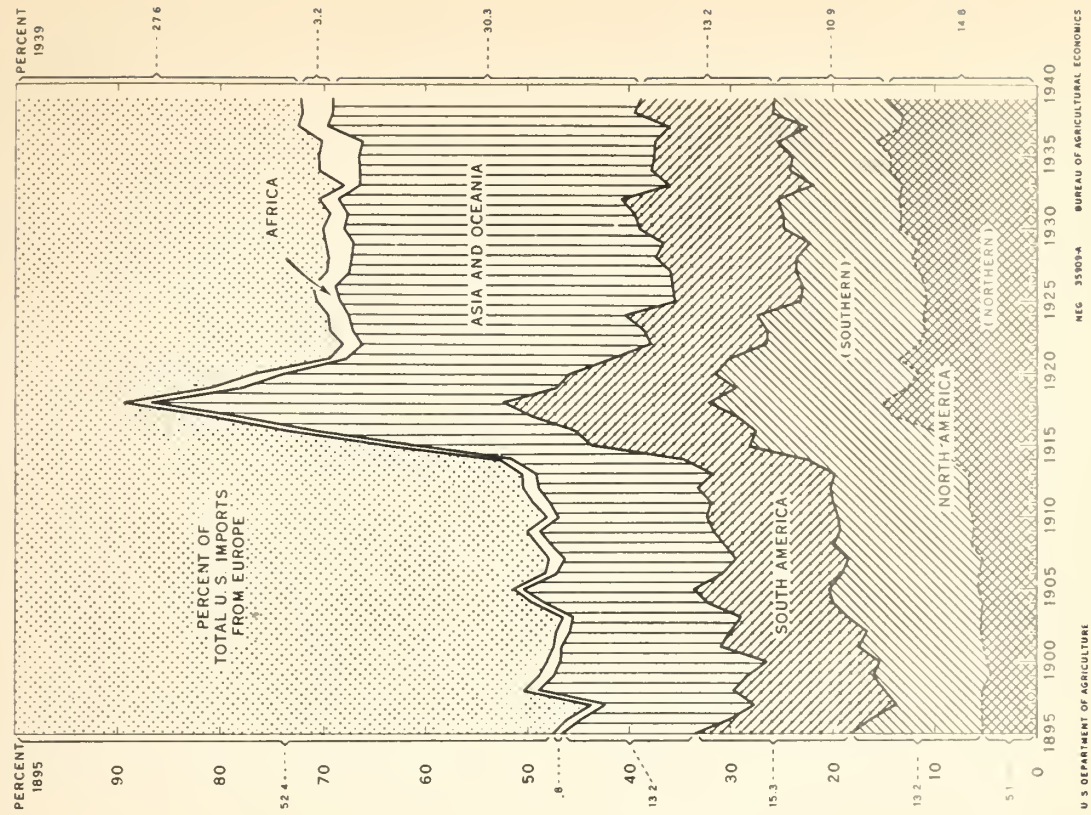
In the graphs which follow, the total exports or imports for each year have been taken as 100 percent, and the allocation of that 100 percent by geographic divisions has been shown.

The dollar values from which the graphs are made are also of interest.

PERCENTAGE DISTRIBUTION U.S. EXPORTS
BY CONTINENTS, 1895-1939



PERCENTAGE DISTRIBUTION U.S. IMPORTS
BY CONTINENTS, 1895-1939



Exports and Imports: Total and for Europe for Selected Years.

Years	Exports			Imports		
	Total	Europe	Percent- age of total	Total	Europe	Percent- age of total
	Million dollars	Million dollars	Percent	Million dollars	Million dollars	Percent
1895	808	628	77.8	732	384	52.4
1913	2,466	1,479	60.0	1,813	893	49.2
1915	2,769	1,971	71.2	1,674	614	36.7
1919	7,920	5,188	65.5	3,904	751	19.2
1929	5,241	2,344	44.7	4,399	1,334	30.3
1939	3,177	1,286	39.8	2,319	619	26.0

Department of Commerce.

United States: Foreign Trade in Farm Products during the
First 6 months of the War.

Contrary to expectations expressed widely in September 1939, the war in Europe has thus far caused United States exports of farm products to be substantially smaller than they would otherwise have been. Also contrary to some expectations, it has had little effect on United States imports of agricultural products.

For the purposes of this analysis, the effects of the war are taken to include changes due to developments clearly attributable to the war in the situation that prevailed on September 1, 1939. In that situation, there were certain important elements expected to favor United States farm exports that were war effects in the sense that they were caused by feverish preparation for war. Going back still further, it may be contended that many of the unfavorable elements in the pre-war situation were also war effects, in the sense that they were due to the long period of economic hostilities that preceded military hostilities. In the following paragraphs, however, only the immediate effects of the armed conflict are taken into account.

The outstanding war development, from the point of view of its effect on our agricultural exports, has been the centralized control of economic life established by the Governments of the United Kingdom and France. This control involves the rationing of consumption, the regulations of the volume of imports, foreign-exchange control, and an arrangement for placing all foreign orders jointly through a single purchasing agency. It appears to have as its principal purposes the use of the economic power of the Allies to counteract that of Germany, and the conser-

vation of foreign exchange and other international assets. In carrying out the first of these purposes, the Allies have acquired, from countries which would otherwise have sold them to Germany, considerable supplies of a number of agricultural commodities of types either exported or imported by the United States. In carrying out the second purpose, the Allies have been discouraging all other imports except those considered absolutely essential and have kept prices of these imports at a minimum. Moreover, they have made it a rule to rely as far as possible upon British Empire countries, purchases from which, because their wartime association is economic as well as military, do not require payment in foreign exchange at the present time. On the other side of the ledger, they have tried to sell their products for as much foreign exchange as possible by buying up the entire crops of certain of their important farm products in order, among other things, to be able to dispose of them at prices as favorable as possible.

To the effects of these controls on United States trade in agricultural products must be added those of the Allied blockade, which not only kept United States products out of countries occupied by Germany, but also completed the job of barring these products from Germany, which the German Government, in an effort to become self-sufficient in farm products, had been accomplishing gradually during the 6 years preceding the outbreak of war.

Exports

At the outbreak of war in Europe, it was expected that certain products, notably fresh fruit and grains, would be exported in smaller volume than would otherwise have been the case, while certain others, especially dried fruit and pork products, would be exported in larger volume. Actual exports during the first 6 months of the war indicate that, thus far at least, the unfavorable consequences anticipated from the war have materialized but the favorable ones have not.

The depressing effect of the war does not show up in total farm-export data, since it was offset by the concurrent effect of a combination of chiefly, nonwar factors making for high cotton exports. The index of the quantity of agricultural exports during the first 6 months of the war was 4 percent above the average for the corresponding months of the 10-year period, 1929-38 to 1938-39. It was 35 percent above the very low level of a year ago. If cotton, is excluded, however, the farm-export index was 16 percent below the 10-year average and 24 percent below last year. The depressing effect of the war has been particularly severe for exports of wheat, fruit, and tobacco. Exports of lard, while greatly reduced from the 10-year average, were affected to some extent by nonwar factors.

A few commodities (making up only small portions of total farm exports) were shipped in large amounts during the 6-month period. The most conspicuous example was soybeans, exports of which were greatly expanded, largely as a result of a nonwar factor. Others were canned vegetables and dried peas and beans. The quantity indexes for leading farm-export groups are shown in the following table.

United States: Index numbers of the volume of agricultural exports, September-February 1939-40, with comparisons.

(July 1909-June 1914 = 100)

Commodities	September-February 1/					
	Average		Increase (+)		or decrease (-)	
	1929-30	1938-39	1939-40	1939-40	1939-40	1939-40
	to	1938-39	1939-40	from	from	from
	1938-39			10-year	1938-39	
				average		
All agricultural	93	72	97	+ 4	+25	
Cotton, including linters	105	57	118	+ 13	+61	
All agricultural, except	82	91	69	- 13	-22	
cotton, Tobacco, unmanu-						
factured 2/	150	162	97	- 53	- 65	
Fruits	330	384	222	-108	-162	
Grains and preparations	73	112	65	- 8	- 47	
Wheat, including flour	72	92	44	- 28	- 48	
Cured pork 3/	26	18	22	- 4	+ 4	
Lard 4/	89	54	60	- 29	+ 6	

1/ Averages of monthly index numbers not adjusted for seasonal variation.

2/ Includes stems, trimmings, etc.

3/ Includes bacon, hams, shoulders, and sides.

4/ Beginning January 1, 1938, includes neutral lard.

Office of Foreign Agricultural Relations. Compiled from official records of the Bureau of Foreign and Domestic Commerce.

The factors responsible for the high level of cotton exports during the first 6 months of the war in Europe include (a) the virtually exhausted state of foreign stocks of American cotton at the beginning of the period; (b) the relatively high level of cotton-mill activity in Europe during the period; (c) the cotton-export program of the United States; and (d) the fear that, as the war advanced, shipping difficulties might bring about a further increase of freight and insurance rates.

The conditions surrounding the operation of the export program were particularly important. The program was announced as temporary, and only a limited appropriation was made available from which to make payments. The rate of payment to sellers for export was decreased a number of times before the program was finally discontinued in December. The export price of United States cotton under the program was looked upon as a more favorable one than was likely again to prevail for some time. Consequently, purchasers rushed to take advantage of the low price, not only for the purpose of covering current requirements but also in order to build up stocks. Three-quarters of a million bales or so of the cotton

sold under the program are still to be shipped. When this amount is shipped, however, the prospect for further exports is extremely uncertain. During much of the World War, foreign demand for cotton was relatively low. Although cotton is used extensively in war materials, civilian consumption in wartime is usually greatly reduced; so that there is little reason for expecting an unusually high foreign demand in the immediate future. Since January, cotton exports have been decreasing rapidly.

As is shown in the table on page 20, about half of the high cotton exports during the first 6 months of the war went to the Allied countries. Shipments to Japan, while above those of a year earlier, were well below their usual level. The neutral countries of Europe, chiefly Italy, Belgium, the Netherlands, and Sweden, took considerably larger amounts than they ordinarily do.

Wheat exports during the first 6 months of the war were less than one-fourth of their quantity a year earlier. Exports to the United Kingdom, the chief foreign market, were negligible, and those to the Netherlands were also greatly decreased. The decline was due in part to the short prospective supplies in the United States during 1940 and to the discontinuation of the wheat-export program. In view, however, of the determination of the United Kingdom to purchase wheat from British Empire countries as far as possible, a very substantial reduction in wheat exports would doubtless have taken place even had supply conditions been relatively favorable. Surplus stocks in Canada alone were adequate at the beginning of the war to supply United Kingdom wheat requirements for more than 2 years.

Fresh deciduous-fruit exports suffered greatly from the war, since these commodities are looked upon as quasi-luxuries by import-control authorities in the belligerent countries. France, usually an important market for the United States pears, took none whatever during the 6 months of the war. The United Kingdom cut purchases 60 percent. Shipments to Germany were, of course, completely cut off. Canadian purchases were tripled over a year earlier, but this was the only important market to which any increase took place. Total pear exports during the 6 months were about half of their level a year earlier. Apple exports declined even more sharply -- from over 9 million bushels during the 6-month period from September 1938 to February 1939 to about 2.5 million bushels during the 6 war months. Shipments to the United Kingdom were reduced 75 percent, while those to the Netherlands were practically stopped. Citrus fruit exports have declined relatively less than those of other fresh fruits, since they are marketed chiefly in Canada where war controls have on the whole been less restrictive thus far than in the United Kingdom and France. Dried-fruit exports had been expected to expand somewhat as a result of the war since these commodities are of a concentrated nature and were in demand during the World War. The reverse has been true, however. Exports of both prunes and raisins to the belligerent countries as a whole have been reduced from their level a year earlier, and those to neutral European countries have also declined. Important factors in decreased takings of raisins by the United Kingdom have been the purchase by that country of the Turkish raisin surplus and increased imports from Australia.

Flue-cured-tobacco exports during the first 6 months of the war were only slightly more than half of their volume a year earlier. With stocks on hand equal to two-and-a-half-years' supply, the United Kingdom practically ceased purchasing tobacco on the outbreak of the war. This has been the principal factor in the decline. There was some expansion in exports to European neutrals, especially the Netherlands, but these countries are only minor markets at best. Exports of dark-fired Kentucky and Tennessee tobacco appear to have fared somewhat better, but, as this variety has its heavy seasonal movement in the spring, data for the war period are of little importance as a measure of prospects for the year as a whole.

It had been anticipated that exports of pork products would be considerably expanded as a result of the war, both because large surplus supplies were available in the United States at relatively low prices for the first time in a number of years, and because these commodities, as compared with imports of feedstuffs, conserve both shipping space and productive effort for the belligerent countries. Thus far, however, these expectations have not been realized. Bacon exports during the first 6 months of the war were double their relatively low level of a year earlier, and some rise occurred in lard exports, while the decline in exports of hams and shoulders was only slight; but the quantities exported were considerably below average even for the past 10 years. The extent to which the failure to expand was caused by the war is not clear, since, even in the absence of war, the job of regaining a market sacrificed for several years to substitute products and alternative sources of supply would have been a formidable one. Nevertheless, the import control imposed by the United Kingdom in particular has been an important factor. Exports of lard to the United Kingdom during the 6 months were 24 percent below their low level of a year earlier, while exports to all other countries had risen by 63 percent. Exports of hams and shoulders to the United Kingdom also declined from last year's unsatisfactory levels. The rise in bacon exports to the United Kingdom was of substantial proportions but is currently being reversed.

This season's phenomenal rise in soybean exports started before the war began and appears to be attributable largely to two factors: (1) Manchurian soybeans were priced above the world market in compensation arrangements concluded by Japan with Germany and Italy; and (2) American production of soybeans increased 39 percent - from 63 million bushels in 1938 to 87 million bushels in 1939. As a result, importing countries were able to obtain United States soybeans at a lower price than Manchurian beans. Although United States soybean exports during the first 8 months of the current fiscal year were more than four times those of a year earlier, there is no evidence of any considerable expansion of soybean consumption in the countries to which these heavy shipments are going.

Some other commodities, exports of which increased during the war months, are dried peas, dried beans, horses and mules, canned fruit, sugar, potatoes, cornstarch, glucose, and hops. The increases in several of these items may be attributable to the effects of the war, but none of them is significantly large in comparison with the decreases in our leading farm exports.

Imports:

The direct effect of the war on imports of agricultural products has been relatively slight. Foreign supplies of a few commodities have been cut off by the blockade. Those of some others, chiefly complementary commodities such as cocoa, have been available in greater quantity because of curtailed purchases by the belligerent countries. The great bulk of United States agricultural imports, however, have risen in response to improved business conditions very much as might have been expected if there had been no war.

Total agricultural imports were 33 percent higher during the first 6 months of the war than during the corresponding period a year earlier. Supplementary farm imports were 26 percent higher. For the same period, demand in the United States as measured by the Federal Reserve Board index of industrial production was up 20 percent.

Since 66 percent of United States imports of hops during 1937-38 originated in Czechoslovakia, one might expect imports to be cut substantially as a result of the war. In fact, however, hop imports during the first 6 months of the war were about the same as during the corresponding period a year earlier and only moderately decreased from the level of 2 years earlier. An increase in imports from Yugoslavia offset the practical stoppage of imports from Czechoslovakia.

United States imports of hams, shoulders, and bacon came largely (73 percent) from Poland during 1938-39. Hence, it is not surprising to find imports of this group of products cut 81 percent during the first 6 months of the war as compared with a year earlier. The effect on the United States market has been negligible, however, since these imports were never, even at their highest, more than a drop in the bucket of domestic pork consumption.

Other effects of the war on agriculture

Not all repercussions on American farmers of the war in Europe have been reflected in changed levels of foreign agricultural trade. While the present analysis is concerned primarily with the course of trade, two cases in point may be mentioned briefly.

The hurried and experimental manner in which the wartime import controls have been established has resulted in their causing certain variations from usual trade trends that are unfavorable to United States exporters and importers. Purchases and sales by the belligerent importing countries vary from month to month in an unpredictable fashion. A commodity may scarcely move at all during its usual heavy season and may be shipped in large quantity later. This involves increased handling charges and new risks for traders.

Exports of certain nonagricultural products, unlike those of most farm products, have been greatly expanded as a result of the war in Europe. Nonagricultural exports to the Allied countries during the first 6 war months were more than 50 percent higher than during the corresponding months a year earlier. The increase occurred largely in items urgently needed for the conduct of the war. Moreover, there was a substantial increase in United States exports of nonagricultural products to countries, particularly those of Latin America, where competition with products of the belligerent countries is less severe than was the case prior to the war. To the extent that this expansion in nonfarm trade supports a higher level of industrial activity and employment in the United States than would otherwise prevail, it improves the domestic market for United States farm products.

...the ...
...the ...
...the ...

...the ...
...the ...
...the ...

...the ...
...the ...
...the ...

...the ...
...the ...
...the ...

...the ...
...the ...
...the ...

...the ...
...the ...
...the ...

...the ...
...the ...
...the ...

...the ...
...the ...
...the ...

...the ...
...the ...
...the ...

...the ...
...the ...
...the ...

...the ...
...the ...
...the ...

...the ...
...the ...
...the ...

...the ...
...the ...
...the ...

...the ...
...the ...
...the ...

After the War -- What?

To visualize some of the problems that will face American agriculture when the current wars end, it is necessary to have some understanding of how these wars are being conducted and their effect on American agriculture during the period of hostilities. The present European war and, to some extent, the war in the Orient have been to an unexampled degree economic in character, involving blockade and counter-blockade and almost complete government control of the economies of the belligerents. The policy seems to be to cripple the economy of the opponent as the way to victory.

The United States is not immune to the effects of these economic weapons. The Allied naval blockade has barred our products from the markets of Central Europe. The pooling of the economic and financial resources of the Allies and the centralization of purchases through government commissions have to date caused our farm exports to be smaller than they would have been had the war not broken out.

From what we know of the application of government controls and the general wartime commercial policies of the belligerents, the war is not likely to bring about any substantial increase in our agricultural exports during the next year or so, at least. Should the war continue beyond that time it is possible that the Allies -- if they are in control of the seas -- will find it desirable to obtain a larger proportion of their agricultural supplies from the United States as the most accessible market.

As for post-war developments there are many questions -- economic and political -- that cannot be answered unless one can forecast the actual duration of the war and the eventual victors. On the other hand, it is possible, without regard to these questions, to point out certain fundamental difficulties that American agriculture will have to face in the post-war period. Basically, it appears likely that both belligerents and neutrals will find it advisable or necessary to continue many of the economic controls established during the war. Such controls are not likely to prove beneficial to American agriculture.

One obvious conclusion is that the continuation of the war for any appreciable time will result in the near exhaustion of the financial resources of both victor and vanquished. The belligerents will be in need of large quantities of both agricultural and industrial products, the production of which will be neglected during the war. These products will be needed in the post-war reconstruction but the problem of how to pay for them will arise. Of especial concern will be the acquisition of important raw materials such as cotton, wool, and rubber, which are produced either in limited quantities or not at all in Europe. In short, the end of the war will not solve one of the causes of the war itself -- a more equitable distribution of control of the world's raw material resources.

The United States is an important exporter of certain raw materials and foodstuffs but the only way in which other countries can pay for our goods in the long run is by transferring gold to us or by selling to us the surplus

products of their own industries. We have already acquired most of the world's gold supply because other countries, due in part to our own high tariff barriers, have been unable to sell us a sufficient volume of the surplus products of their industries to pay for the goods they would like to obtain from us. This has been an important cause of the decline in our agricultural exports, since our practice of liberal lending was discontinued in the late 1920's. If we expect these countries to resume or to expand their purchases of our agricultural products after the present war, is over, we will have to consider ways and means of accepting more of their goods in payments.

Another important development of the present war is the dependence of the belligerents -- particularly the Allies -- on their dominions and colonies for agricultural and raw material supplies. They are also favoring trade with certain other neutrals such as Argentina and other Latin American countries, where they can pay for the needed agricultural products in goods or services, such as shipping and insurance, and thus eliminate the necessity of acquiring foreign exchange. This policy seems likely to lead to an expansion in the agriculture of these countries, an expansion which may not be needed after the war. In other words, except for the United States, the major agricultural exporting countries of the world may find themselves in roughly the same position after the present war as the United States was after the World War -- with a surplus of agricultural production for which adequate markets cannot be found.

To sum up, it appears that United States agricultural exports are not likely to benefit from the war, that after the war we will face increasing competition from other agricultural exporting countries for a number of years, and that other countries will be faced with the problem of how to pay for needed imports. Such a situation might lead to a growing recognition of the need of a more equitable distribution of the world's raw material resources or more ready access to these raw materials by those countries most in need of them. There is a possibility that international commodity agreements may help to solve this problem. While such agreements concluded in the past have been none too successful, partly because of their failure to take into consideration the interests of consumer or importing countries, it is not impossible that the present war may so change world opinion as to make possible a philosophy of "give and take," which is a necessary prerequisite for international cooperation.

- - B- H - -

